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STATE FOR NEA/MAG, S/CT/EB AND INL
TREASURY FOR U/S LEVEY, JPHILIPP, AND KHECHT

E.O. 12958: DECL: 05/29/2017

TAGS: KTFN EFIN PTER PGOV MA

SUBJECT: U/S LEVEY CONGRATULATES MOROCCO ON NEW AML LAW AND
UNDERSCORES U.S. COMMITMENT TO FURTHER COOPERATION

REF: RABAT 889

Classified By: Classified by Economic Counselor Stuart Smith,
reasons 1.4 (b and d).

¶1. (S) Summary: In a series of meetings on May 29, Treasury Under Secretary for Terrorism and Financial Intelligence Stuart Levey congratulated GOM officials on the recent passage of Morocco's long-awaited anti-money laundering law and emphasized USG readiness to help with its implementation.

He noted that U.S. experience has highlighted the importance of "aggressive" implementation of AML powers, a point with which his interlocutors expressed full agreement. Levey also reviewed with Moroccan officials the changing nature of terrorist threats in the Maghreb, and sought Morocco's support in the international community's efforts to isolate Iran. For their part, Moroccan security officials sought USG assistance in scrutinizing the possible financing of terrorist operations in Morocco by charitable organizations.
End Summary.

¶2. (SBU) In the whirlwind round of meetings on Tuesday, May 29, Levey met successively with Minister-Delegate for Foreign Affairs Taib Fassi-Fihri, Ministry of Finance Secretary General Abdellatif Loudiyi, Central Bank Director General Abdellatif Faouzi, and the Director General for Internal Affairs at the Ministry of the Interior, Mohiddine Amzazi. With all his interlocutors, Levey expressed appreciation for the close friendship and partnership that characterizes the overall U.S.-Moroccan relationship, and is especially evident in our cooperation in confronting terrorism. He congratulated his counterparts on passage and publication of Morocco's anti-money laundering legislation, and encouraged its aggressive implementation. The U.S. has found, he noted, that collection and analysis of concrete financial information offers leads that can be of critical assistance in taking down terrorist networks, and in determining the links that exist among them. The U.S., he stressed, stands ready to assist Morocco as it moves to implement the anti-money laundering law, and as it sets up its financial intelligence unit (FIU).

¶3. (SBU) Moroccan officials, beginning with Minister-Delegate Fassi-Fihri, echoed this positive assessment of bilateral cooperation and reviewed the difficult gestation of the anti-money laundering law. Fassi Fihri noted that with its

broad scope, reaching beyond financial institutions into a range of professions, such as accountants and notaries, and potential impact on financial transfers to Morocco from Moroccan residents abroad, it had sparked concern and debate in parliament. Ultimately, however, the government had won passage, convincing legislators that it constituted a vital step not just in fighting crime and terrorism, but in bringing Morocco's financial system into accord with international standards. He stressed that Morocco cooperates closely with FATF-GAFI, and indeed expects to receive that organization's reaction to the law and its recommendations regarding implementing regulations in the next few weeks.

¶4. (SBU) Central Bank and Finance Ministry officials amplified on these points, noting that the Central Bank implemented an interim system governing financial institutions via circular in 2003. They also noted the contribution of Morocco's 2006 banking reform law, which strengthened the Central Bank's oversight role and gave it greater autonomy. They agreed that the new anti-money laundering statute will strengthen and clarify the obligations of all parties, and extend the system's reach to non-financial entities. In general, however, they believed that the financial system already effectively polices itself, thanks in part to the large role of foreign banks in Morocco. They also stressed that the 1267 process has worked well in Morocco, and that the country has moved in a number of cases to freeze suspect accounts. In response to a questions from Levey, Central Bank and Finance Ministry officials differed regarding the relative importance of "hawala" organizations, with the Finance Ministry arguing they have a minimal role. Central Bank officials, however, suggested that given the expense and delay involved in sending funds via banks, some Moroccans abroad do resort to hawalas, particularly in

European countries that have not permitted the establishment of branches of Moroccan banks. In response to a separate question, Finance Ministry Secretary General Loudiyi noted that Morocco had taken the unusual decision of placing the FIU in the Prime Minister's office rather than the Central Bank or Finance Ministry in order both to ensure its independence from line agencies and heighten its profile.

¶5. (C) Regarding the overall terrorist threat confronting Morocco, Fassi Fihri noted that Morocco faces a number of terrorist threats, including home-grown extremism among young Moroccans, and an even more dangerous threat from external terrorist groups based in the Sahel and Mauritania. He suggested that contacts had developed between organized crime and drug-trafficking organizations and these interests, which amplified the risk. Similarly, a small percentage of Moroccans overseas had fallen in with radical groups, and might be moving money into the country in support of illegal and terrorist activity. He thus agreed that Morocco has strong incentive to move quickly and to implement the anti-money laundering law aggressively.

¶6. (S) Director General Amzazi at the Ministry of the Interior provided further detail on GOM perception of terrorist threats in the region, noting that the events of May 2003 and March and April 2007 had shown that "our society can generate domestic terrorism." He agreed with U/S Levey's assessment that al-Qaeda poses a growing risk in the Maghreb region, and suggested recent events constitute the "first results" of its new activism here. He noted that since the start of the year, MOI has had information that groups of terrorists are training in Northern Mali, and planning operations in Morocco. As a result, Morocco has been on "extreme alert" since January, and continues to work closely with its friends, including the U.S., on the issue. The real risk, he argued, is in the Sahel region, which he characterized as a "no-man's land" and the "land of all risks," given the interlocking problems of terrorism, contraband, drugs, arms trafficking and human smuggling. He added that the groups active there are not just a threat for the countries of the region, but for the U.S. as well, arguing that they have been active in Iraq, and may seek in future to continue to select "similar victims."

¶ 7. (S) In response to Levey's inquiry about possible external funding for these groups, Amzazi reviewed Morocco's steps to implement an effective system to counter terrorist finance and money laundering. He noted that this is not easy, given the country's dependence on the informal economy. We are now perfecting this, he said, thanks to the new anti-money laundering law. He expressed concern, however, about potential funding that reaches terrorists through charitable or donor activity. There is a lack of "traceability" in such funding, he argued, and authorities are concerned that international aid could be "pirated" for illicit and even terrorist purposes. He sought U.S. counsel and assistance in this area. Levey noted that the U.S. has developed much expertise in regulating charities and encouraging transparency in their operations, and would be pleased to offer whatever assistance it can.

¶ 8. (C) While the bulk of Levey's program was dedicated to local terrorism concerns, at the close of his meeting with Minister-Delegate Fassi Fihri he expressed hope that Morocco would support international efforts to isolate Iran. Only strong implementation of such a program, he argued, could prevent Iran from succeeding in its efforts to set down roots in the financial systems of other countries. He sought Morocco's assistance in conveying this message to other Arab states. Fassi-Fihri expressed understanding of Levey's message and said Morocco is convinced that a peaceful solution to the crisis is essential.

¶ 9. (SBU) Comment: U/S Levey's brief stop in Morocco offered a welcome opportunity to renew high level dialogue on counter terrorist finance and anti-money laundering issues with senior Moroccan officials, and laid the base for further cooperation once the new AML statute is fully implemented.
End Comment.

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